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### ONTARIO ECONOMIC COUNCIL EXAMINES CONTEMPORARY ONTARIO

TORONTO--Separate, in-depth studies of five aspects of contemporary Ontario as a major influence on the Canadian Confederation were released today by the Ontario Economic Council.

The studies range from a retrospective survey of the economic transformation of Ontario since World War II to the far-reaching alteration of internal relationships among the provinces and between Ontario and the federal government. One study presents an account of Ontario policies relating to natural resources in the modern age of environmental concerns. Another reports on the expansion of social services. And still another details the emergence of new contexts in provincial-municipal relations and problems in an age of spectacular urban development.

The five paperback publications serve to complete a lengthy research project under the title of "The Evolution of Policy in Contemporary Ontario," which was designed to examine provincial policy problems in an era of unprecedented change and growth in Canada.

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The views expressed are those of the authors alone, and are based on trends to the end of 1971. The entire project under the auspices of the Ontario Economic Council is intended to improve public knowledge and stimulate debate upon essential policy challenges in modern Ontario.

The Council has been newly constituted and enlarged in recent months, at the direction of Premier William G. Davis, with authority to embark on broader programs of economic research.

The five contemporary Ontario studies present mainly retrospective accounts of the new economic and social dimensions of the province. Earlier related studies included a report in March 1973 on municipal planning, titled Subject To Approval, which contained 77 recommendations for stronger local government administration in Ontario. A year earlier a report on Ontario: A Society in Transition appeared.

The five final reports are The Economic Transformation of Ontario: 1945-1973, by D.R. Richmond; The Protection and Use of Natural Resources in Ontario, by W.R. Smithies; The Service State Emerges in Ontario, by Vernon Lang; The Role and Place of Ontario in the Canadian Confederation, by Joe Martin; and Ontario 1945-1973: The Municipal Dynamic, by Lionel D. Feldman.



### The Economic Transformation of Ontario

In reporting the economic change in Ontario since World War II, Mr. Richmond gives figures showing that net Ontario government expenditures rose from \$132,300,000 to \$4,262,500,000, a figure exceeded since 1971. In the latter year, the total personal income of the people of Ontario was \$30.5 billions. The budget total in Ontario now includes well over a billion dollars in conditional grants for transfer to municipal authorities. "The nature and purpose of government," writes Mr. Richmond, "as far as Ontario is concerned, have undergone profound alteration."

A new understanding of relations within Confederation, he continues, has become necessary, as "both federal and provincial governments have lost flexibility" in their budget policies. There has been a "profound transformation in the Canadian political system." The developing situation in Confederation, he predicts, is going to occupy many Canadian minds in the years ahead.

Ontario has become a society seized with "rising expectations," with a whole generation that has experienced nothing but affluence and rising incomes. The introduction of economic, social, and physical planning is reflected in a steady expansion of government spending which absorbs a rising proportion of gross national expenditure. Despite a dismaying deterioration of the value of the dollar, the period under review has been featured by a growth of employment and a rise in material standards of living.



Speculating on the possible overloading of the Ontario economy, Mr. Richmond notes in conclusion that the political system has been greatly altered. No longer is Queen's Park purely administrative in its function, as government has developed its own planning orientation. The task ahead is one in which Canadians will seek to optimize their future.

#### The Protection And Use Of Natural Resources

Relatively heavy expenditures for the protection of the environment have been a recent development in Ontario.

After reviewing the history of conservation in the province, the development of mineral policies and the management of forest and water resources, Mr. Smithies notes that the year 1955 marked the onset of a rising curve of natural resources expenditures. Though there are difficulties in analyzing the public accounts, the total natural resources expenditures reached \$159,500,000 in 1971, not a relatively large item in the provincial budget.

Substantial increases in park development and land acquisition have occurred since 1960. More recently, concern has developed over pollution control costs. The Canadian forecast is 1 to 2 per cent of GNP, compared with up to 3 per cent in other countries. Direct charges for pollution control fall mainly upon the municipalities.



The central problem seen by Mr. Smithies is the "trade-off" between economic development and environmental protection. There are now strong conservationist forces involved in public decision making in this field.

The Ontario Ministry of the Environment is acquiring a stronger field structure in support of resource management and planning. It is being reorganized in 1974. Since 1965, Ontario has been developing environmental impact studies but, in Mr. Smithies' view, "the times call for more general and formalized procedures." Legislation for a permanent agency for environmental protection is under study.

In conclusion, the effect of environment control upon future economic growth is not expected to be excessive in Ontario. It will be, Mr. Smithies writes, "less severe in Ontario and Canada than other industrialized countries." Less developed provinces "may show a greater inclination to accept environmental hazards of growth" than does Ontario.

#### The Service State Emerges in Ontario

Social policies began to cover a broad range of government activities in Ontario from the 1950's on. The take-off period, according to Vernon Lang, came in 1957-1962, after a new government at Ottawa raised the share of income tax going to the province, increased old age pension rates and unemployment insurance benefits. The General Welfare Assistance Act 1958 was a landmark enactment in the province, as the costs of unemployment kept rising in spite of a capital growth boom.

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Federally-assisted hospitalization came into force in 1959, and it shifted hospital costs in the main from the private to the public sector. The social service system, on the scale familiar to modern Ontario, came fully into operation from 1967 to 1971. By the latter year, health costs began to equal and exceed education costs, and general welfare was left far behind. "Direct federal expenditure in various income transfers to Ontario residents," Mr. Lang reports, "was nearly \$1.3 billion in 1971." The policies had, in fact, been laid down earlier; they simply became more expensive.

Provincial and federal government expenditures in Ontario in 1971, for health, education and welfare services, represented 13.1 cents of every dollar of the gross provincial product. These three items, Mr. Lang notes, absorbed 71 per cent of the provincial budget of \$5.2 billion in 1971. In total, health services now cost the province more than education.

Conventional wisdom on which public policy once rested has changed greatly. "The state," Mr. Lang notes, "now serves many more of the citizen's needs than it did 30 years ago." He asserts that the service state is "less understood and less controlled by the people."

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Speculating about future trends, he looks to the rise of consumerism as a strong force. Paid commercial work is becoming a lesser factor in the distribution of income and, he notes a trend among young people away from the material, success-oriented attitude. Interest is rising in the quality of the environment, and a shift is occurring away from efficiency of procedures. The communication factor is accelerated in the new society, and widespread citizen participation is required for a consensus on social policy.

#### Ontario's Role And Place In The Canadian Confederation

In reviewing the major forces in federal-provincial relations, Joe Martin notes that little research has been published on relations between Ottawa and Ontario, the most populated and wealthiest province. Since 1966 a change "at times approaching confrontation" has replaced the older cooperative federalism.

Analyzing successive federal-provincial conferences, Martin describes the era under Premier Frost as one marked by "the spirit of cooperation." The Frost era ended with Ontario, and other provinces, in a position to levy their own taxes rather than renting them to the federal government. Federal-provincial relations were greatly influenced by Quebec's consistent assertion of provincial rights within a federal state.

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The pivotal year in relations came in 1966, according to Mr. Martin. John Robarts had emerged as the leader of Ontario and, after observing the staff assistance built up by Premier Lesage of Quebec, he created a new corps of advisers at Queen's Park. This strengthened the province's presentation of its case. While 1966 brought the Canada Assistance Plan, "basically the rest of the year was destructive of federal-provincial cooperation." It was the beginning, in Mr. Martin's view, of "confrontation federalism." It continued until a marked change occurred after the October 1972 federal election, in which the administration led by Prime Minister Trudeau lost its parliamentary majority.

Meanwhile, Mr. Robarts arranged the Confederation for Tomorrow conference in Toronto in 1967, seeking to broaden understanding with the Quebec government, then led by Premier Daniel Johnson. But a rift created between Ontario and Ottawa as a result of the latter's proceeding with Medicare has persisted. The opposition was not to the program, but to its universality and its timing.

Speculating on the future, Mr. Martin suggests four scenarios. Ottawa could assume the cost of one or more shared-cost programs, if Quebec could be persuaded to accept such a course. Secondly, the federal government might arrange more elastic revenue sources for the provinces. In the third place, if the status quo continues, Ontario would face increased taxation or cuts in its expenditures.

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The fourth possibility would be a more or less formal coalition of provinces in the search for common positions on which a united front might be presented to the federal government. It would mean, Mr. Martin says, "no more medicare." It would mean the creation of an interprovincial bureaucracy in support of the provinces. If this was the only attainable choice, he concludes, the frustration within Confederation might well be enough to break it up, a possibility against which precaution should be taken.

#### Ontario 1945 - 1973: The Municipal Dynamic

Describing the relationship between the provinces and its municipalities as "cast in terms of master-servant," Lionel D. Feldman reports that a subtle alteration in approach became evident in the late 1950's, under the administration of Premier Leslie Frost and his successor, Premier John Robarts. A new role was articulated for the province, but it was often contradictory.

The extent of urban growth in Ontario is shown in population statistics reporting 7.7 million persons in the province in 1971, with 73.8 per cent of them, or 5.7 million, living in 83 municipalities of 10,000 or more population. The turning point had come in the early 1930's when the urban element outnumbered the rural population for the first time.

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Under Premier Robarts, the province adopted a policy of more active involvement in municipal matters, with regional development and regional government proposals. A White Paper in 1966, Design for Development, serves as the landmark of policy, and it led to phases two and three. The aggressive approach has slowed down considerably in the early 1970's. After reviewing the government's role, Mr. Feldman concludes that in the past support for regional government within municipalities of Ontario "has never been high."

Mr. Feldman's view is that only through a reallocation of power will local government be strengthened. He reviews experience elsewhere, in some other provinces, in England, in West Germany, and in the literature of local government in the United States. In spite of Ontario's declaration in favour of decentralization in favour of local government, he is unable to identify through the period he examines "cases of substantial devolution of powers back to the smaller unit."

The question of efficiency arises but, in Mr. Feldman's view, it begs the question of representative government at the local level, "as part of the heritage." The fact that funds come as a transfer from a senior level of government does not weigh against the principle of representation. He suggests that the theory of decentralization is not fully understood in Ontario.

Mr. Feldman is, however, encouraged by the degree of consultation, in the past year, between the provincial and municipal levels of government.

